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C O N F I D E N T I A L SECTION 01 OF 02 TEL AVIV 001753

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SUBJECT: HERZOG TELLS CODEL LIEBERMAN THAT LABOR SUPPORTS STRENGTHENING ABBAS

Classified By: A/DCM Norm Olsen for reasons 1.4 (b,d).

11. (SBU) Summary: Labor MK Itzhak ("Boojy") Herzog told Senator Joseph Lieberman April 20 that the Labor Party advocates strengthening Palestinian Authority (PA) President Mahmud Abbas. Herzog said he supports USG assistance to the Abbas-controlled Presidential Guard in order to enhance that body's ability to combat terrorist organizations. Regarding the then-ongoing coalition talks between Labor and Kadima, Herzog said he believes that Labor Party Chairman Amir Peretz, while preferring to lead the Finance Ministry or even a new super-ministry that includes employment and social benefits issues, would likely accept the high-profile defense ministry to enhance his leadership image. (Note: Since this meeting, Labor has joined a coalition with Kadima, and has assumed the leadership of seven ministries, including Peretz as Minister of Defense. End note.) Herzog said that some of Labor's supporters left the party as a reaction to its more "blue-collar" orientation after Peretz was elected party chair and shifted their support to the Pensioners Party. End summary.

Abbas - Take a Chance on Him

12. (C) MK Herzog, number two in the Labor Party faction, told Senator Lieberman and the DCM April 20 that his party views PA President Abbas as an "option" that should be pursued. Herzog said that strengthening Abbas, whom he described as weak, could help eventually to bring about the downfall of Hamas. In response to Lieberman's comments about U.S. legislation that would cut off USG assistance to the Hamas-led PA, but allow for assistance to Abbas for administrative and security purposes, Herzog said he supports USG assistance to enhance the Abbas-controlled Presidential Guard's ability to combat terror. Herzog said that Labor MK Ephraim Sneh had recently met with PA chief negotiator Sa'eb Erekat and that Erekat told Sneh that Abbas needs help in order to move against terror. Herzog said that this option is worth pursuing. Senator Lieberman noted that the GOI opposes USG assistance to Abbas's security forces and commented that the USG wants to avoid a conflict with the GOI over this issue. (Note: Senator Lieberman had come to Herzog directly from a meeting with FM Livni, who expressed opposition to such USG assistance. See septel. End note.)

13. (C) Herzog noted that a new government will soon be formed. He stressed his view that FM Tzipi Livni has held an anti-Abbas view, but that she may be open to changing her view to avoid a military alternative on which he did not elaborate. Herzog asserted that Labor was the only party during the election campaign that had an alternative proposal for dealing with the Hamas victory. He said that while Likud rejected any dealing with the PA and Kadima referred to Abbas as "irrelevant," Labor publicly proposed forming a coalition of moderate leaders in the region, including Moroccan King Mohammed VI and Egyptian President Mubarak, to help Abbas. (Note: Livni used the term "irrelevant" to describe Abbas in a February media interview. End note.)

14. (C) Herzog stressed the importance of exerting international pressure on Hamas, and proposed a "carrot and stick" approach to influencing Hamas. He said that an important question is whether Hamas could be defeated through new elections. In response to Senator Lieberman's query, Herzog said that he could not speculate whether Abbas would take the initiative and call for early elections. Senator Lieberman underlined his view that the GOI should ensure that humanitarian assistance reaches the Palestinian people.

Peretz Shaky on Defense

15. (C) Turning to domestic politics, Herzog underlined that Labor is hoping to be a "major pillar" of the coalition and that Kadima and Labor are trying to "speed up" the negotiations. (Note: Since this meeting, Labor has joined a coalition with Kadima, and has assumed leadership of seven ministries including Peretz as Minister of Defense. End note.) Of the major ministries of defense, foreign affairs, and finance, Herzog said that Peretz prefers finance in order to pursue his socio-economic agenda. He said that while Peretz "is not keen on" the defense ministry, since he is, as

Herzog termed, a "dove," Peretz is likely to settle for defense even though this could thwart his ability to pursue his social-economic agenda. Herzog said that Peretz could be offered a new super-ministry that includes employment, social security, and other social benefits issues, but assessed that Peretz would opt for defense to avoid the appearance that he is insecure about dealing with defense issues. He said that if Peretz accepts defense, he would bring a strong deputy minister with him. In response to the DCM's query about whether Peretz, as defense minister, could address his economic agenda by making cuts in the defense budget, Herzog asserted that it would be difficult to make significant cuts from defense without cutting into the labor-intense defense industries. As to his own aspirations, Herzog -- who had served as housing minister from January through November 2005 -- is hoping to receive the Justice Ministry, but said he would also be satisfied with the Ministry of Infrastructure or that of interior.

Israelis Voted for Compassionate Government

16. (SBU) Analyzing Labor's showing in the recent elections, Herzog assessed that although a majority of voters supported Labor's socio-economic agenda, many did not vote for Labor because they did not feel confident that the party could actually deliver on that agenda. He also said that people do not view Labor as having a strong enough "stomach" on security issues. He agreed with a recent Washington Post article Lieberman cited that assessed that in this past election, the Israeli public cast their votes based on socio-economic concerns. Israelis voted for a "compassionate government," Herzog said. Because the Labor Party became more blue-collar oriented with the election of Peretz as party chair, Peretz assessed, Labor lost some of its traditional support, including to the new Pensioners Party. Herzog said that the Pensioners Party gained some of its support from the 18-30 year-old crowd, who are concerned about the well-being of elderly family members. He estimated that the Pensioners will have a "centrist" orientation with regard to the Palestinians and characterized the party as "the long arm of Olmert," since it presented itself as a likely coalition partner without engaging in the same hard-ball politics as other parties. He speculated that Olmert had offered the Pensioners the health ministry and perhaps one other ministry, which they accepted.

17. (U) Codel Lieberman cleared this cable on May 2.

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JONES